

MINUTES

BUDGET WORK SESSION OF THE NEWTON CITY COUNCIL – MAY 20, 2010

The first Fiscal Year 2010-2011 Budget Work Session of the Newton City Council was held on Thursday, May 20, 2010 at 5:15 p.m. in the Council Chambers at City Hall with the following present: Mayor Robert A. Mullinax and Council Members Wayne Dellinger, Mary Bess Lawing, Tom Rowe, Bill Lutz, Robert C. Abernethy, Jr. and Mayor Pro Tem Anne Stedman.

Also in attendance were City Manager Todd Clark, City Attorney Larry Pitts, City Clerk Beunice R. "Bootsie" Roberts, members of the Management Team, and City Department Heads.

CALL TO ORDER – ROBERT A. MULLINAX:

Mayor Mullinax reconvened the recessed meeting of the May 18, 2010 regular Council Meeting to hold the first Fiscal Year 2010-2011 Budget Work Session. He welcomed everyone and encouraged the Council to make notes on any issue they would like to discuss. He gave the order of the meeting he wished to use and asked Finance Director Serina Hinson and City Manager Todd Clark to make their presentations on the budget.

GENERAL FUND REVENUES BY MAJOR SOURCES:

Finance Director Serina Hinson reported that the General Fund Revenues projected and recommended for Fiscal Year 2010-2011 is \$10,826,300. Mrs. Hinson reviewed item by item to give an overview of the recommended amounts and to receive input from the Council. Several questions and/or concerns were:

- There was an error in the calculation for the Fire District Tax for \$95,050. Mrs. Hinson reported that the proposed \$95,050 denied from the \$0.2% rural tax rate increase request from Catawba County was not removed from the \$430,700 due to an oversight. The recommended amount should have been \$335,650.
- The 1% Local Option Sales Tax is down due to the economy.
- A question was raised about no recommendation for Federal Grants. Mrs. Hinson said that Federal Grants are not brought to Council until they are awarded.
- NC Beer and Wine amount was questioned. City Manager Clark said that the State removed 2/3 of the NC Beer and Wine Tax. He said that the problem feared is that the State would take a portion of the funds again.
- Mayor Pro Tem Anne Stedman questioned the Cemetery Lots and Spaces recommended amount of \$24,000. She asked if this amount could be taken away from the budget. It was noted that some of the funds received goes towards perpetual care for the cemetery, and that all the lots recognized previously for perpetual care have been realized.
- A question was raised about the Equipment Rental. Mrs. Hinson said that she would provide information to identify the equipment that is rented and present at the May 25, 2010 Budget Work Session.

- Council Member Wayne Dellinger questioned the transferring of funds shown in the Fund Balance Appropriated line item for \$400,000. He requested the current Fund Balance amount be presented to the Council at the May 25, 2010 Budget Work Session.
- Mayor Mullinax asked about activities in the Jacob Fork Park. City Manager Clark said that plans are being discussed to have some type of grand opening in June 2010.

Mayor Mullinax asked the Council if there were any other questions on the General Fund Revenues, and there were none.

GOVERNING BOARD:

Finance Director Serina Hinson said that the Governing Board's recommended budget for Fiscal Year 2010-2011 is \$24,250. Finance Director Hinson said the most significant change is not having the Election Expense cost this year. She reviewed the other line items from salaries to reserve. Council Member Robert C. Abernethy, Jr. requested that his stipend be removed from the salary line item.

ADMINISTRATION:

Finance Director Serina Hinson reported that the Administration Department recommended budget is a negative (\$245,050), but when the (\$399,900) is removed from the General Adjustment line item, the recommended budget would be \$154,850 compared to the prior year for budget of \$160,000. Mrs. Hinson explained the General Adjustment line item for \$399,900, stating that the amount includes personnel changes that the Staff has recommended in the General Fund for all departments. Mrs. Hinson said that if the Council makes any personnel related changes, that it would be easier for the Staff to make the changes from one department, than several departments. Several questions and/or concerns were:

- Explanation of what is included in the General Adjustment item. City Manager Clark said that the item includes the layoffs and positions that affect all departments, the holding of two positions that are vacant and will not be filled, and five "unpaid" holidays – 4th of July, Labor Day, one day at Thanksgiving, one day at Christmas, and Good Friday. He said that there is no COLA or Merits included in this recommendation. Mayor Pro Tem Anne Stedman asked why the General Adjustment is being used in this way. City Manager Clark said that it would be easier for the Staff in regards to record management. He said that seven positions would be affected in the layoff. There was a brief discussion raised by Council Member Mary Bess Lawing on the departments that would be affected by the layoffs, which Mayor Mullinax said that it is the responsibility of the City Manager to handle that matter, and the Council is not going to name a position in a public meeting. Council Member Mary Bess Lawing said that it is her intentions to find money to save employee jobs, that the employees are worried. Mayor Mullinax said that the Council would figure out this matter as more time progresses, that it is a hard situation. He said that it is the Council's responsibility to allocate a certain amount of money and it is the City Manager's

responsibility to use the money wherever and however necessary. Mayor Mullinax reminded the Council that employee matters are the responsibility of the City Manager.

- There were several questions concerning the costs of printing the citywide newsletters and the postage. Council Member Bill Lutz recommended that in addition to mailing the citywide newsletters, that the Staff considers offering the citywide newsletter electronically, as Mr. Herman mentioned that the City does provide E-newsletter sign-up sheets to interested citizens, but will advertise efforts in the next citywide newsletter. Council Member Robert C. Abernethy, Jr. suggested the City's Facebook page as another source for the citywide newsletters. The increase in postage is due to the increase in quarterly circulation and possible increase in postage.
- Council Member Bill Lutz questioned the method of how the City's Insurance is being recorded, as he had noticed the increase in Insurance in several departments and the Insurance decrease in the Police Department. Finance Director Hinson said that she and Human Resources Director Teresa Laffon have discussed the manner in which the Insurance costs were distributed among the departments. It was determined that the previous method of distribution was not appropriately done and now the Insurance will be distributed among the departments. Therefore, the biggest change in the Insurance will be in the decrease in the Police Department Insurance line item.
- Mayor Pro Tem Anne Stedman asked why utilities are charged in every department except the Administration Department and City Hall. Do all the utilities cost flow through the Police Department – the electric, water and sewer? Finance Director Hinson said that all the utilities for City facilities are reflected in the Municipal Buildings Budget.

FINANCE DEPARTMENT:

Finance Director Serina Hinson reported that the Finance Department recommended budget for Fiscal Year 2010-2011 is \$256,150. She reviewed each line item and questions and/or concerns were on the following:

- Pointed out the decreases in the recommended amounts for Postage, Printing costs, and Other Services Line Items. The decrease as opposed to last year is a result of preparing the utility bills in-house as opposed to outsourcing to a vendor. Finance Director Hinson said that there would be a slight savings considering a postage increase, but it is comparable with last year's budget and is only a matter of moving money around. Mayor Mullinax asked about the service provided by New World, as well as if the City is going to provide the "Round Up" program. Finance Director Hinson said that the Staff proposes to "go live" the week of June 14, 2010 to be in time for the June 20, 2010 billing. She said that the Staff would continue to stay on top of the "Round Up" proposal. Finance Director Hinson informed the Council that the New World process has been a very complex and sophisticated process, and some of the burden has been placed on the City, New World's customer, to do the majority of the work. Finance Director Hinson said that the Retirement Contribution

has increased due to a 2% State mandate increase throughout the departments for approximately \$80,000.

- Council Member Bill Lutz asked if the City could purchase a postage meter instead of renting one for \$4,450 per year. Finance Director Hinson said that she would look into the cost of a postage meter. Finance Director Hinson reported that in the Tax Collection Fees for \$39,900, that Catawba County charges the City for collection of 1.5% for motor vehicles taxes and 3.64% for ad valorem taxes based on 7,300 bills.

FINANCE DEPARTMENT – PURCHASING/WAREHOUSING:

Finance Director Serina Hinson said that the Fiscal Year 2010-2011 Budget recommended for the Finance Purchasing/Warehousing Department is \$33,850, a slight increase over last year's budget for \$32,300. Finance Director Hinson reviewed each item listed and the Council raised several questions:

- Council Member Tom Rowe asked about the \$1,000 increase in the Meeting and Travel line item. Finance Director Hinson said that the increase is due to specific certifications needed for the new Purchasing Agent.

FINANCE DEPARTMENT – TECHNOLOGY:

Finance Director Serina Hinson said that the Fiscal Year 2010-2011 Budget recommended for the Technology Department is \$311,950. Finance Director Hinson reviewed each line item listed and the Council raised several questions.

- Council Member Wayne Dellinger questioned the \$400 increase in the Telephone Service line item. Finance Director Hinson said that there was not enough money in that line item based on the prior year. Mayor Mullinax asked about the telephone service. Finance Director Hinson said that the phone service (including cell phones) has encountered several changes to help save money. She said that there have been some cuts on the telephone service and several contracts have been revised. Mayor Mullinax questioned the \$2,350 amount for Insurance. Finance Director Hinson said that this was an Insurance amount that was allocated for this department as previously discussed, nothing new. Council Member Wayne Dellinger asked several questions about the Installment Purchase items, to clarify if this is additional purchases over and above what has been purchased. Information Systems Director Jason Clay and City Manager Clark explained that this line item is to upgrade software that is used on desktop computer systems.

HUMAN RESOURCES DEPARTMENT:

Finance Director Serina Hinson said that the Fiscal Year 2010-2011 Budget recommended for the Human Resources Department is \$250,300. Finance Director reviewed each line item. The Council raised several questions.

- Mayor Mullinax questioned the decrease in the Professional SVC – Other line item. Human Resources Director said that the decrease was due to the RFPs to find a group of consultants for the insurances. She said that the Staff was able to find an excellent group of consultants.
- Mayor Mullinax asked if the Training/Employee Development line item is for the entire City. Human Resources Director Laffon said that the training is for the entire City and that several classes are held in-house. She said that there are opportunities to cross-train employees, have safety training classes, as well as webinars on specific issues, changes, and other local government requirements.

HUMAN RESOURCES – POST-RETIREMENT:

Finance Director Serina Hinson reported that the Human Resources – Post-Retirement recommended Fiscal Year 2010-2011 Budget is \$121,800, a decrease of \$32,350 from prior year. Several questions were raised:

- Mayor Mullinax asked Human Resources Director Teresa Laffon to explain the meaning of Post-Retirement. Human Resources Director Laffon said that the Post-Retirement is Other Post Employment Benefits (OPEB), the accounting for and reporting of the annual cost of other post-retirement benefits for current and future retirees as required by law. She said that because of the Enron scandal, that it is very important to keep benefits records for future reference. Human Resources Director Laffon said that the decrease in Salaries & Wages is because of retirees turning 62 years of age, thus eliminating the law enforcement separation allowance supplemental benefit, as well as health insurance benefit for those retirees who were grandfathered in prior to 2006. She said that the Council took measures to make provisions for the benefits and to show how the benefits and wages are funded.

GENERAL FUND SPECIAL APPROPRIATIONS:

Finance Director Serina Hinson reported that the General Fund Special Appropriations recommended Fiscal Year 2010-2011 Budget is \$936,650, a decrease of \$25,750 from prior year. After Finance Director Hinson reviewed each line item, there were several special appropriation items questioned:

- Council Member Wayne Dellinger requested that the Staff submit a breakdown of what City Sponsored Activities are and the ones that are included in the \$25,500 amount. Parks and Recreation Director Sandra Waters provided a listing of City Sponsored Activities that might be included such as, Reunion Bike Ride, Reunion 5K Run and other Reunion activities, Senior Citizens Dances, events at Southside Park, the East Newton Heritage Festival, the Annual Unity Day Celebration, etc. Mayor Mullinax requested that the Staff provide a listing of these activities. Council Member Mary Bess Lawing said that the Reunion Bike Ride and the Reunion 5-K Run, etc. would be a “wash,” that these events provide revenue for the City. It was also requested to include in

the listing, the events that provide revenue and the amounts each provided for the City in the prior year.

- Mayor Pro Tem Anne Stedman asked about the Economic Development Incentive. Finance Director Hinson, as well as, Mayor Mullinax said that the Economic Development Incentives are incentives for ZF, Target, and Flowers Foods. Planning Director/Assistant City Manager Glenn J. Pattishall explained the incentive process that the City of Newton uses in recruiting new industries and that the increase is that Target's evaluation has increased from the prior year. He said that the Staff tries to budget in accordance to the fulfillment of each industry's incentive performance contract package, and in this case, Target has gone beyond its performance agreement.
- Council Member Wayne Dellinger asked that the Staff provide (1) a breakdown of how much the City is going to be obligated to pay from the Economic Development Corporation line item for \$758,000; and (2) a breakdown by departments of how much bonded indebtedness could be reduced each year over the next five to ten years. He suggested that in making a final decision, that one department during the Fiscal Year 2010-2011 Budget, could be reduced by \$200,000 than would be needed for next year's budget, which could help in planning how much would be needed to assist with a utility rate increase. Finance Director Hinson said that the City's indebtedness would start dropping off by 2013. After a brief discussion, Council Member Dellinger wanted the bonded indebtedness by funds, such as Enterprise Funds and General Funds and what impact it would have, not by departments.
- Mayor Mullinax asked if the Western Piedmont Regional Transit Authority is under a contractual agreement. City Manager Clark confirmed that the WPRTA is under a contractual agreement and the recommended budget amount for the line item is less than the prior year by \$4,700.

Council Member Mary Bess Lawing said that the Council should consider the organizations that are located in the City of Newton to show a "good faith" approach in supporting them.

City Manager Clark explained how Catawba County taxes help to support different organizations and that the support includes City of Newton residents.

- There was a correction in the Special Events Committee line item. Parks and Recreation Director Sandra Waters said that this item should be titled "Festival and Events" which includes funding for events such as, the Light Up the Town Christmas event, Movies in the Park, Citywide Yard Sale, etc. Council Member Mary Bess Lawing said that these are other events that provide revenue for the City. Ms. Waters said that several of the events mentioned provided \$3,000 in revenue for the City last year.
- Council Member Mary Bess Lawing questioned the Metro Plan Organization Agreement. City Manager Clark said that the Metro Plan Organization Agreement is a function of the Western Piedmont Council

of Governments Transportation Advisory Board and that he would look into the organization. Finance Director Hinson said that the Metro Plan Organization Agreement is funded in the Dues and Subscriptions recommended budget line item for \$26,100. Mayor Mullinax requested a listing of what is included in the Dues and Subscriptions line item.

- Finance Director Hinson gave a review on what is included in the Reserve line item with a recommended budget amount of \$34,000. She said that the Reserve is for additional items identified to offset the shortfall before the Staff presented the budget recommendations. Finance Director Hinson also mentioned the possibility of using the \$34,000 Reserve recommendation to offset the shortfall of the \$95,000 rural fire tax previously mentioned. Mayor Mullinax asked that an addendum or a new page be presented to show the change in the rural fire tax oversight, if possible. Finance Director Hinson said that an addendum would be provided.
- Mayor Pro Tem Anne Stedman said in addition to saving jobs and after reviewing the full budget that she would like to return to the Special Appropriations Budget to find money to make some adjustments. Mayor Mullinax said that the Special Appropriations Budget is a concern of the Council and special attention would be given.

GENERAL FUND OTHER APPROPRIATIONS:

Finance Director Serina Hinson reported that the General Fund Other Appropriations recommended budget for Fiscal Year 2010-2011 is \$84,400. She said that the Staff would like to use a portion of the \$84,400 to offset the \$95,000 oversight on the rural fire tax.

Mayor Mullinax again reiterated that replacement pages would be provided at the next budget work session on May 25, 2010 and on the website for the public to review the changes.

There being no further business to discuss, Mayor Mullinax recessed the May 20, 2010 Budget Work Session until 5:15 p.m. on Tuesday, May 25, 2010 in the Council Chambers at City Hall for the second Fiscal Year 2010-2011 Budget Work Session.

Respectfully submitted by:

Robert A. Mullinax, Mayor

Beunice R. (Bootsie) Roberts, CMC/City Clerk